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FISCAL IMPACT STATEMENT

LS 6473

BILL NUMBER: HB 1721

NOTE PREPARED: Feb 12, 2009

BILL AMENDED: Feb 12, 2009

SUBJECT: Department of Workforce Development.

FIRST AUTHOR: Rep. Niezgodski

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Advisory Committee:* This bill establishes the Unemployment Insurance Solvency Advisory Committee to monitor the Unemployment Insurance Benefit Fund (Fund) and make recommendations to improve the solvency of the Fund.

Employer Rates: The bill increases the taxable wage base from \$7,000 to \$9,000 for calendar years after 2009. It establishes an employer surcharge for 2009 that is equal to 0.3% of an employer's taxable wages for the purpose of repaying amounts borrowed from the federal government. The bill also establishes a new fund ratio schedule and employer rate schedules for calendar years after 2009.

Special Employment and Training Services Fund: The bill requires the Unemployment Insurance Board to transfer from the Special Employment and Training Services Fund (Special Fund) to the Fund amounts in the Special Fund that exceed \$10 million.

Hoosier Works First Training Program and Fund: The bill establishes the Hoosier Workers First Training Program to allocate to employers or consortiums money for incumbent worker training grants that enable workers who reside in Indiana to obtain recognizable credentials or certifications and transferable employment skills that improve employer competitiveness.

Stimulus Funds: The bill requires the Commissioner of the Department of Workforce Development to: (1) initiate changes to eligibility and other requirements of the state's existing unemployment insurance system in order to qualify for the maximum amount available to a state under any federal economic stimulus package, unless the cost of making the changes exceeds the maximum amount available to the state as a result of making the changes; and (2) submit to the Legislative Council, the Unemployment Insurance Solvency

Advisory Committee, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate a report that: (A) details the Commissioner's actions or decision not to act; (B) makes recommendations for necessary legislation; and (C) analyzes the fiscal impact to the fund of the changes and recommended legislation.

The bill removes outdated language.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Advisory Committee:* The bill would create the Unemployment Insurance Solvency Advisory Committee. The Committee consists of 10 members (3 from the Senate, 3 from the House, 2 representing labor, and 2 representing businesses) to monitor and make recommendations to increase the solvency of the Fund. The Committee is required to report annually to the Legislative Council. The Legislative Service Agency is to provide administrative support for the Committee. The bill appropriates the money necessary for the Committee from the state General Fund. The budgets for interim study committees in recent years have been \$9,500.

Employer Rates: The changes in the surtax, wage base, and rate schedules would not impact the state since, it is a reimbursable employer. The state pays the Fund the actual cost of the benefits paid from the Fund.

Special Employment and Training Services Fund: The Special Employment and Training Services Fund on February 9, 2009, had a balance of about \$13 M, but according to the Department of Workforce Development most of the \$13 M is obligated. The Department transferred \$20 M to the Unemployment Insurance Fund in October 2008.

Hoosier Works First Training Program and Fund: The bill establishes the Hoosier Workers First Training Program and Fund to:

1. Improve manufacturing productivity levels in Indiana.
2. Enable firms to become competitive by making workers more productive through training.
3. Create a competitive economy by creating and retaining jobs.
4. Encourage the increased training necessary because of an aging workforce.
5. Avoid potential payment of unemployment compensation by providing workers with enhanced job skills.

The money in the fund is to be allocated to employers or consortiums for worker training grants that enable residents to obtain skills that improve employer competitiveness. The bill does not provide funding for the program.

(Revised) *Stimulus Funds:* The impact of this provision would depend on the amount of federal economic stimulus funds and what changes to eligibility and other requirements to the state's existing unemployment insurance system might be necessary to qualify for the maximum amount of stimulus funding available to a state under any federal economic stimulus package, unless the cost of making the changes exceeds the maximum amount available to the state as a result of making the changes. The impact is an unknown reduction in net expenditures since the stimulus revenue has to exceed the cost of changes.

Explanation of State Revenues: *Employer Contributions:* The 0.3% surtax is projected to raise about \$56.7 M for CY 2009 based on a taxable wage base of about \$18.9 B, which would be used to repay advances, including interest, made to the state from the federal government.

The bill also revises the employers' rate schedules by increasing the number of schedules from 5 to 9 and changing the employer rate in the schedules. Currently, the maximum rate is 5.6% of the first \$7,000 of wages. The minimum rate on Schedule A is 1.1% of the first \$7,000 of wages. After December 31, 2009, the bill would increase the maximum rate to 8.2% of the first \$9,000 of wages and the minimum rate in Schedule A to 1.3% of the first \$9,000 of wages. Based on the changes to the rate schedules and wage bases, the new schedules would generate between \$783.1 M under Schedule A to \$149.9 M under Schedule I. Using Schedule A, about \$282.5 M of additional revenue would be raised from the changes to the wage base and rate schedule.

Background: As of February 9, 2009, the Indiana Unemployment Insurance Fund had borrowed \$351.4 M from the federal government. The expenditures from the Fund for CY 2008 were about \$1.1 B, and about \$579.2 M was collected in revenue. The ending balance in the Fund was a (\$132.7 M).

Explanation of Local Expenditures: *Employer Rates:* The bill increases the surtax, wage base, and rate schedules from 1% to 1.2% after December 31, 2009. The local impact would be minor since most local units are reimbursable employers.

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development.

Local Agencies Affected: Local units.

Information Sources: Department of Workforce Development.

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